

The ABCs of Leadership

Conversation with Paul Polman Ahead of the Thinkers50 Summit

Paul Polman:

I think you're right. And again, there's a lot in there, but you're right, it is a little bit of a moment of shakeout and reckoning and there's more emphasis now on showing that it actually is good for business, that it goes to the bottom line, less virtue signaling. And we have to acknowledge as well that in some of these areas, like perhaps, this might be controversial, but like the DENI, or even some of the sustainability areas that we went a little bit too far and didn't see the practicality sometimes of it, or take the other party with you.

And today what is more important is what I think is the ABCs of leadership, be very adaptive and find out why the situation is happening, bridge to the other side, to work together in different ways, have a different narrative etc, and then collaborate differently.

So, we do need to adapt. There are learnings in there. But on the other hand, it's estimated that about... We need jobs and 25 million jobs are getting into the green economy now, according to the International Energy... IEA, International Energy Agency. We see the demand for green steel going up tenfold. I was just talking to a company. The circular economy is soon going to be worth over four and a half trillion dollars. Sustainable financing is moving. So, it is right that some of these things have not been fully implemented, but that's the case in any change process of this magnitude. And there is always a little bit of free writing stuff, but I think in general, we were moving, otherwise we wouldn't be spending \$2 trillion.

The message to Europe, which you mentioned, but I want to be clear in my Dutch style, you don't give into bullies, because then they bully you more. The countries that gave in on the terrorists were being asked to do more. I mean, look how they play around with Canada, some other things. So, you have to stand up. And it would be an outright tragedy if we give into the U.S. who's trying to pedal its fossil fuel as part of any negotiation, or punishes countries if they don't take their LNG or oil. And Europe has to watch it, that we don't weaken the environmental standards, which the citizens of Europe want, to keep our relationships with the U.S. on a healthy footing.

So, there are some morals that are being tested right now, and I think the voice of the private sector in this environment is very important. You take the European Deforestation Regulation. Now there's talk about watering it down again, after postponing it and kicking the can down the road. And that's under pressure from countries outside of Europe. Brussels needs to get a strong message that the bulk of the business community, the responsible people that think longer term, and there are enough of them, don't accept this backpedaling.

And unfortunately, right now, especially in the U.S., that courage of not speaking up against the bully, is unfortunately surprising people. And then you create a vacuum in communication that will be filled by the other party. But wherever you look, this thing is moving. The ones that don't move, I think increasingly put themselves at risk and at a competitive disadvantage.

And perhaps at the end of the day, the biggest benefit of the U.S. president's current actions and undermining of science, undermining of values, undermining of democracy, undermining of political independence or political risk independence, all that is going to happen, is slowing down their economy. And frankly, that might be the biggest benefit they give us in terms of lower consumption of the bad things.

Julia Binder:

Watching big growth in real life.

Paul Polman:

There is always a silver lining in other things, but this is an enormous opportunity. And sticking our heads in the sand or being silent is not only irresponsible, I think it actually violates, for companies and boards, their fiduciary duties, if you want my opinion, I've always lived by the slogan, it's better to make the dust and eat the dust, and in this environment there's even more of a need for it, if you know what I mean.

Julia Binder:

Absolutely. And we talked a little bit about Europe. I mean, honestly, I think at this time Europe is at a very interesting crossroads, whereby America is going back in time and China is actually accelerating. And I think increasingly I just feel that business leaders are looking in the wrong direction. We're looking at the person that is extremely loud and vocal and basically trying to be very destructive. And what we are overseeing is that China is very deliberately and very forcefully walking in future markets and starting to dominate all of the future market opportunities.

And I think this is where Europe needs to decide whether we are being overshadowed and just listen to the U.S., or whether we are actually seeing where the big future market opportunities are and what role we could play? And I think there are important opportunities, as you rightfully outline.

Paul Polman:

Tremendously. Europe missed the boat on battery technology, on solar. I see people writing like, "Oh, we missed the boat to China and others, so we shouldn't concentrate on this and just make our fossil industry stronger." I mean, it's even amazing that papers write that, and that everybody stays silent when these things are being said, because then you normalize them.

We looked at 32 technologies that are needed for the green transition, and frankly, in 26 of them, China has a competitive advantage, and including in the number of patents that are

written and owned. So, the U.S. is obsoleting itself and probably accelerating the decline of this U.S. dominance in deciding world politics. We're going to go rapidly to a multipolar world. We're going to have different trade relationships; different political alliances are being formed. Some of them will be healthy, others we need to actively be involved in to make them work.

"At the end of the day, it's a question of leadership. Do we have the willpower?" – Paul Polman

But I think at the end, better will come out of it by creating a more multipolar world. And hopefully at the end of the day, a more responsible world. The status quo is not good, and where we came from is not desirable to go back. But we have the technologies to address these issues. In many cases it's cheaper. We have the funds, the financing to do that, especially if we spent more money on, frankly, keeping the old system alive, than what we need to invest in new systems. The cost of climate change and the peripheral subsidies are estimated anywhere between three and \$5 trillion. The energy incremental investments in the energy revolution are about of that magnitude.

So, it's not a question of money and it's not a question of technology. So, at the end of the day, it's a question of leadership. Do we have the willpower? In our book, we talk about leadership being purpose-driven and to the service of society, having a high level of empathy with the issues that are going on. Because these two factors make you more courageous. There's definitely something to be said for sticking out your neck and carving a new road that nobody has walked.

And then the ability to inspire this moral leadership and the desire to build these transformative partnerships. And what we see is that the leaders that have those are doing very well, and their companies are doing very well in this environment, and the leaders that don't, that shrink back to management at its best, are actually paying the price for this. A lot of companies now, when we talk to employees, where the employees are thinking "When it's the end of my bonus cycle, I'll leave, because I've seen the company over the last seven months change 180 degrees in their values, and that's not the company I joined, nor do I want to be associated with that. We did a study called Conscious Quitting, and we found now that over 60% of employees are thinking of leaving their companies. And that's probably one of the reasons why we see engagement scores go down so fast lately, that's a ticking time bomb for any company. If you can't even keep your own employees motivated to the highest degree, you'll never win in the marketplace either.

Julia Binder:

Paul, these 30 minutes went extremely quickly, I feel like we were just warming up.

Paul Polman:

Sorry about that.

Julia Binder:

And you've shared so many different pieces of advice already, but I think... how about we end with one piece of advice that you have for the next generation of business leaders. And I remember a lot of the things, right? You said we have the technologies, the markets are there, the stakeholders are lining up, so leadership needs to change, we need to venture towards more regenerative leadership. What's one piece of advice that you would give the next generation of leaders? You were one of those that, in your role at Unilever, but also beyond then, you were the one that was also pushing the boundaries, because the easiest one is to say, okay, the economic framework really captures me, I can't do anything. So, what's your one piece of advice that you want our listeners to take away?

"There is no business on a dead planet" – Paul Polman

Paul Polman:

So, I am a little bit concerned by, even in the climate community, I hear too much the discussions about being powerless, or fearful, or dominating discussions that discuss the latest actions of the U.S. president, and then tomorrow's different actions, and that's reaction. People are in a reactive mode. And I think my biggest message is don't believe the myth of powerless, no great story that I've read to my seven grandchildren ends where the heroes said, "And then we gave up." That's not us, and that's not what it should be. So, you have more influence than you think, through the choices you make, the coalitions you join, the examples you set. And Wangari Maathais said it very well, she was a Nobel Prize winner from Kenya, when she said, "There comes a time in the history of humanity when we're called upon to rise to a higher level of consciousness," which she called the higher moral ground.

Well, I cannot think of a better time than now. So, take that agency, take that responsibility for why we're here on this planet Earth, and set the bar high. Even if it makes you feel uncomfortable at times or open to criticism, or skeptics and cynics, because there are many around, it is just the right cause of action. So, in the short term that you're here on planet Earth, make a difference. Realize that it can only work if we strive for dignity and respect for everybody, equity, compassion. And that a world that only works for few and less and less for the many is a world that we certainly don't want to hand over to our children and grandchildren, but it doesn't work for business either. There is no business on a dead planet, as you well know.

Julia Binder:

Couldn't agree more, Paul. So, for me it sticks: make a difference, find your area of influence, I think that's a very important message. Paul, thank you so much. Des, over to you.

Paul Polman:

Thank you, Julia, and thanks for what you're doing.